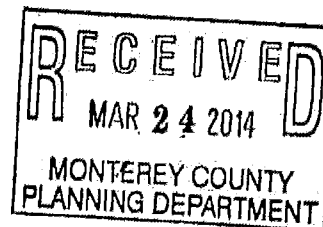


# Attachment F

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March 21, 2014



Mr. Luis Osorio  
Monterey County Planning Department  
Monterey County Government Center  
168 W. Alisal St. 2nd Floor  
Salinas, CA 93901

**Re: Rancho Moro Cojo Subdivision Amendment (File No. PLN120650)**

Dear Mr. Osorio:

On behalf of 160 families within the Moro Cojo subdivision, CHISPA has submitted a request to amend Condition No. 99 of the original subdivision approval to expressly provide that the affordability term of the Moro Cojo lots included in the application shall be 15-years. CHISPA is the largest private, nonprofit housing developer in Monterey County, and has built and sold or rented more than 2,300 affordable single family homes and multi-family and senior apartments since its incorporation in 1980. CHISPA also was the original developer of Moro Cojo.

Unlike other residential subdivisions in Monterey County, Moro Cojo was not subject to the County's inclusionary ordinance requirements because the project, itself, was a 100 percent affordable housing project. All of the "for sale" units in the Moro Cojo subdivision were constructed by the original owner of the unit under the USDA Rural Development mutual self-help program. Moro Cojo families worked together to build their homes and earned "sweat equity" under the supervision of experienced construction managers. These extensive labor contributions of these families mean that each family has equity in their home when it is finished, and that the new owners know how to repair their homes, know their neighbors, and have a strong sense of community. The families who participated in the mutual self-help housing program contributed approximately 65 percent of the labor in constructing each other's home during a period of 10 – 12 months. All of the "for sale" units were affordable to very-low, low and moderate income households and have remained affordable to such households since they were first constructed in 1999 and 2000.

On January 10, 2014, you sent CHISPA a letter requesting that CHISPA clarify the commencement date of the proposed 15-year affordability term. CHISPA is requesting that the affordability term commence as of the date the developer executed the deed conveying the lot to the original owner of each lot. Accordingly, each lot could have a different commencement and ending date depending on date the developer executed the deed conveying the lot to the original owner.

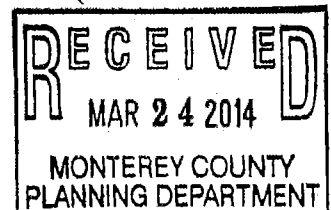
You also requested information on the proposal's consistency with the provisions of Government Code 66472.1 and Section 19.08.015.A.7 of the County's "Inland" Subdivision Ordinance and to identify the "substantial evidence" that supports CHISPA's request. Because this property is located in the coastal zone, we believe that your reference to 19.08.015.A.7 is incorrect and that Section 20.08.015.A.7 of the "Coastal" Subdivision Ordinance applies here. We believe our request meets the requirement of that provision and is supported by "substantial evidence" for the following reasons.

**I. There are Changes in Circumstances that Justify a Reduction in Affordability Term of Moro Cojo Units from "Perpetuity" to 15 Years**

Due to the significant downturn in the economy, Moro Cojo homeowners have faced challenges selling their deed restricted homes. As market rate home prices have plummeted over the past 5 years due to the numerous foreclosures and short sales, the price of market rate homes currently approach or in some cases equal the price of deed restricted units. Based on CHISPA's extensive experience managing and marketing affordable housing projects throughout the Central Coast, we have observed that buyers, who can qualify to purchase affordable housing, are generally not willing to purchase deed restricted units when they can afford similarly priced homes that are not deed restricted. Accordingly, affordable units either remain on the market for significant periods of time before they are ultimately or are taken off the market due to the lack of offers. We believe that revising the affordability term of the Moro Cojo units for a "perpetuity" term to a 15-year term will make the Moro Cojo units more attractive and competitive in the current real estate market. Moreover, CHISPA has operated its mutual self-help housing program since 1991 and none of the mutual self-help projects CHISPA has constructed require that the units remain affordable in perpetuity.

In addition, in 2010, the Board of Supervisor's adopted an updated General Plan that included Policy LU 2.12, which eliminated any perpetuity requirement for inclusionary housing units and established that affordable housing units either conform to the affordability provisions in State Redevelopment law or be subject to new guidelines that provide for an equity share component. **(Attachment A)** In the case of mutual self-help projects, such as Moro Cojo, Section 33334.3 of the California Health and Safety Code sets a 15-year affordability term. **(Attachment B)** Therefore and while the County has not year adopted an Coastal Land Use Plan for the Moro Cojo area, the requested modification to Condition 99 to expressly establish a 15-year affordability term would be consistent with the General Plan and California Law.

We also recently contacted the California Coalition for Rural Housing (CCRH), which was established in 1976 and is one of the oldest state low-income housing coalitions in the country, about its experience with deed restrictions in perpetuity. CCRH indicated that they, too, are unaware of any other mutual self- help affordable housing development that has been subject to a deed restriction with a term of perpetuity and support CHISPA's application. **(Attachment C).**



## II. The Change Does Not Impose Additional Burdens on Moro Cojo Owners

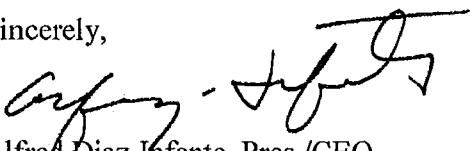
The modification does not impose any additional burden on the Moro Cojo owners. On the contrary, the proposed modification, which will reduce to the affordability term of the deed restrictions that have been recorded on these lots, will eliminate a burden on the Moro Cojo owners that has made it challenging for Moro Cojo owners in a depressed real estate market to sell their property.

## III. The Proposed Change Does Not Alter any Right, Title or Interest in the Moro Cojo Lots

The proposed amendment does not propose any changes to the Moro Cojo final map that would impact the underlying right, title, or interest in the various lots that will be affected by the amendment. The amendment would only affect the affordability term of Deed Restrictions that have been recorded on the various lots by reducing such term from "perpetuity" to 15 years. Each Moro Cojo lot owner's fee simple right, title and interest in their property would be unaffected by the amendment.

For the above reasons, we ask that Planning recommend approval of CHISPA's proposed amendment to Condition No.99. Please call me if you need any additional information or clarification regarding the evidence that supports this amendment.

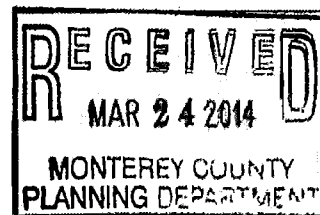
Sincerely,



Alfred Diaz-Infante, Pres./CEO

Cc: Jason Retterer, L+G, LLP  
Juan Uranga, CCA

Enclosures (3)



# Attachment A

## California Health and Safety Code

33334.3. (a) The funds that are required by Section 33334.2 or 33334.6 to be used for the purposes of increasing, improving, and preserving the community's supply of low- and moderate-income housing shall be held in a separate Low and Moderate Income Housing Fund until used.

(b) Any interest earned by the Low and Moderate Income Housing Fund and any repayments or other income to the agency for loans, advances, or grants, of any kind from the Low and Moderate Income Housing Fund, shall accrue to and be deposited in, the fund and may only be used in the manner prescribed for the Low and Moderate Income Housing Fund.

(c) The moneys in the Low and Moderate Income Housing Fund shall be used to increase, improve, and preserve the supply of low- and moderate-income housing within the territorial jurisdiction of the agency.

(d) It is the intent of the Legislature that the Low and Moderate Income Housing Fund be used to the maximum extent possible to defray the costs of production, improvement, and preservation of low- and moderate-income housing and that the amount of money spent for planning and general administrative activities associated with the development, improvement, and preservation of that housing not be disproportionate to the amount actually spent for the costs of production, improvement, or preservation of that housing. The agency shall determine annually that the planning and administrative expenses are necessary for the production, improvement, or preservation of low- and moderate-income housing.

(e) (1) Planning and general administrative costs which may be paid with moneys from the Low and Moderate Income Housing Fund are those expenses incurred by the agency which are directly related to the programs and activities authorized under subdivision (e) of Section 33334.2 and are limited to the following:

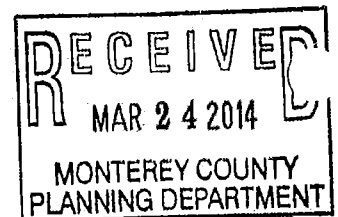
(A) Costs incurred for salaries, wages, and related costs of the agency's staff or for services provided through interagency agreements, and agreements with contractors, including usual indirect costs related thereto.

(B) Costs incurred by a nonprofit corporation which are not directly attributable to a specific project.

(2) Legal, architectural, and engineering costs and other salaries, wages, and costs directly related to the planning and execution of a specific project that are authorized under subdivision (e) of Section 33334.2 and that are incurred by a nonprofit housing sponsor are not planning and administrative costs for the purposes of this section, but are instead project costs.

(f) (1) The requirements of this subdivision apply to all new or substantially rehabilitated housing units developed or otherwise assisted with moneys from the Low and Moderate Income Housing Fund, pursuant to an agreement approved by an agency on or after January 1, 1988. Except to the extent that a longer period of time may be required by other provisions of law, the agency shall require that housing units subject to this subdivision shall remain available at affordable housing cost to, and occupied by, persons and families of low or moderate income and very low income and extremely low income households for the longest feasible time, but for not less than the following periods of time:

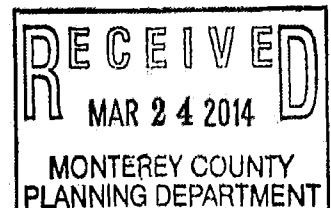
(A) Fifty-five years for rental units. However, the agency may

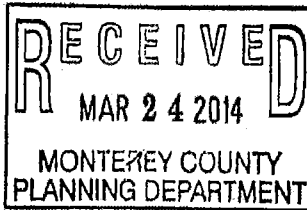


replace rental units with equally affordable and comparable rental units in another location within the community if (i) the replacement units are available for occupancy prior to the displacement of any persons and families of low or moderate income residing in the units to be replaced and (ii) the comparable replacement units are not developed with moneys from the Low and Moderate Income Housing Fund,

(B) Forty-five years for owner-occupied units. However, the agency may permit sales of owner-occupied units prior to the expiration of the 45-year period for a price in excess of that otherwise permitted under this subdivision pursuant to an adopted program which protects the agency's investment of moneys from the Low and Moderate Income Housing Fund, including, but not limited to, an equity sharing program which establishes a schedule of equity sharing that permits retention by the seller of a portion of those excess proceeds based on the length of occupancy. The remainder of the excess proceeds of the sale shall be allocated to the agency and deposited in the Low and Moderate Income Housing Fund. Only the units originally assisted by the agency shall be counted towards the agency's obligations under Section 33413.

(C) ~~Fifteen years for mutual self-help housing units that are occupied by and affordable to very low and low-income households.~~ However, the agency may permit sales of mutual self-help housing units prior to expiration of the 15-year period for a price in excess of that otherwise permitted under this subdivision pursuant to an adopted program that (i) protects the agency's investment of moneys from the Low and Moderate Income Housing Fund, including, but not limited to, an equity sharing program that establishes a schedule of equity sharing that permits retention by the seller of a portion of those excess proceeds based on the length of occupancy; and (ii) ensures through a recorded regulatory agreement, deed of trust, or similar recorded instrument that if a mutual self-help housing unit is sold at any time after expiration of the 15-year period and prior to 45 years after the date of recording of the covenants or restrictions required pursuant to paragraph (2), the agency recovers, at a minimum, its original principal from the Low and Moderate Income Housing Fund from the proceeds of the sale and deposits those funds into the Low and Moderate Income Housing Fund. The remainder of the excess proceeds of the sale not retained by the seller shall be allocated to the agency and deposited in the Low and Moderate Income Housing Fund. For the purposes of this subparagraph, "mutual self-help housing unit" means an owner-occupied housing unit for which persons and families of very low and low income contribute no fewer than 500 hours of their own labor in individual or group efforts to provide a decent, safe, and sanitary ownership housing unit for themselves, their families, and others authorized to occupy that unit. Nothing in this subparagraph precludes the agency and the developer of the mutual self-help housing units from agreeing to 45-year deed restrictions.





Attachment B

Plan and needed regional infrastructure as long as all project related infrastructure improvements are made concurrent with the development.

- g. Within Rural Centers, affordable housing projects meeting the provisions of this policy may proceed prior to preparation of an Infrastructure and Financing Study as long as all project related infrastructure improvements are made concurrent with the development.
- h. When affordable housing overlay projects are proposed in Community Areas that are also designated Redevelopment Areas, tax increment may be used from the project area to finance off-site infrastructure and level of service improvements and to subsidize the Very Low and Low income units within the Affordable Housing Overlay project.
- i. The Board of Supervisors shall review the 25% exemption cap for market rate units (paragraph b.2 above) every two years to assure that this Affordable Housing Overlay policy achieves its intended goal of encouraging developers to voluntarily produce Affordable Housing Overlay projects.

LU-2.12

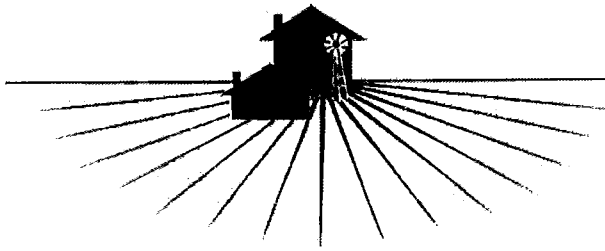
Monterey County shall establish a program for retaining affordable housing units. For-sale housing units with affordability restrictions developed within redevelopment project areas (Boronda, Castroville, Fort Ord, and Pajaro), Community Areas and Rural Centers prior to the adoption of their Plans, as well as any project developed under the Affordable Housing Overlay Program shall be consistent with term of affordability provisions in State Redevelopment law. Rental units shall be deed restricted in perpetuity countywide. For-sale units with affordability restrictions in all other areas shall have the option of conforming to State Redevelopment law term of affordability criteria or conforming to the following guidelines:

- a) Affordable housing units shall be offered to the County of Monterey who shall have a First Right of Refusal.
- b) Units developed under this option shall be subject to a 30-year Program.
- c) Within the first 15 years of this Program:
  - 1 Units must be resold to a qualified buyer at the same income level at which the unit was first sold.
  - 2 The 30-year restriction shall restart from the date of sale if the unit is sold.
- d) Between year 16 and 30 of this Program, sale of units may be sold at market value but shall be subject to an Equity Sharing Program that increases based on the length of ownership.
- e) Units retained by the same owner for more than 30 years shall not be subject to this Program.

LU-2.13

The County shall assure consistent application of an Affordable Housing Ordinance that requires 25% of new housing units be affordable to very low, low, moderate, and workforce income households. The Affordable Housing Ordinance shall include the following minimum requirements:





**California Coalition for Rural Housing**

717 K Street, Suite 400  
Sacramento, CA 95814  
916-443-4448 FAX 916-447-0458  
www.calruralhousing.org

March 4, 2014

Mr. Luis Osorio  
Monterey County Planning Department  
Monterey County Government Center  
168 W. Alisal St., 2nd Floor  
Salinas, CA 93901

Re: Rancho Moro Cojo Subdivision

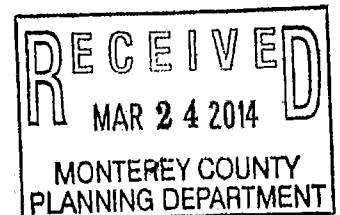
Dear Monterey County Planning Commission:

The California Coalition for Rural Housing (CCRH) supports CHISPA's application to modify the existing resale deed restriction in the Rancho Moro Cojo subdivision from a term of perpetuity to a term of 15 years.

Formed in 1976, CCRH is one of the oldest state low-income housing coalitions in the country. Through advocacy, organizing, research, and technical assistance, our goal is to make the case for rural housing improvement and strengthen the capacity of the nonprofit and public sectors to provide affordable housing and related facilities. Members are primarily community-based nonprofit and public developers, as well as local government officials, and local activists concerned about rural quality of life.

CCRH currently operates many programs, including, for example:

- **Internship Program for Diversity in Nonprofit Housing:** Places and trains university students from minority and immigrant communities to groom and prepare a new generation of rural community builders and leaders.
- **Assets for Financial Independence:** Via Individual Development Accounts, helps low-income families to save methodically towards purchase of a first-time home, a college education, or business start-up.
- **National Neighbors Silver:** Provides financial literacy education to older adults living in affordable rental housing to enable them to avoid financial abuse and access conventional bank services and products.
- **Farm Worker and Tribal Housing Capacity Development:** Builds the capacity of farm worker communities and tribes to identify, plan for, and seek funding to resolve critical housing and infrastructure needs.



Our members also include the largest self-help housing producers in the United States. We are very familiar with self-help projects like Rancho Moro Cojo and the opportunities these programs provide to homeowners who could not otherwise realize the dream of homeownership. We have been directly or indirectly involved in many mutual self-help projects in California and believe that CHISPA's Rancho Moro Cojo subdivision is the only development in the state that is subject to a deed restriction in perpetuity. Several years ago when the state modified language in State Redevelopment Law to lengthen the term of affordability to 45 years, CCRH advocated for and was successful in establishing an exemption for mutual self-help housing to a term of 15 years (See Attached Health & Safety Code §33334.3 (f)(1)(C)). CHISPA's request to modify the term of affordability to 15 years is consistent with the position that CCRH took with regard to State Redevelopment Law.

Families who participate in the mutual self-help housing program contribute 1,200 – 1,400 hours of labor in the construction of each other's homes. A resale deed restriction in perpetuity significantly limits the families' ability to access the full equity they earn from their significant labor contributions to construct their home. Furthermore, a restriction in perpetuity makes it difficult for homeowners to refinance their homes.

Finally, in a depressed real estate market like the recent collapse in the real estate market, for-sale market rate housing units are being sold for the same price as units with perpetual affordability restriction. That means that homebuyers, who might qualify for a Moro Cojo deed-restricted unit, can legitimately afford unrestricted units. Even if the market-rate home is slightly more expensive than the restricted home, homebuyers will logically purchase the unrestricted home to maximize their equity when the real estate market turns around. In such a market scenario, Moro Cojo and other self-help homeowners face significant challenges in selling their units.

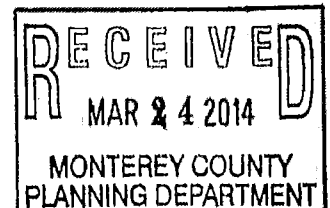
For the reasons stated above, CCRH supports CHISPA's request to modify the restriction from perpetuity to a term of 15 years.

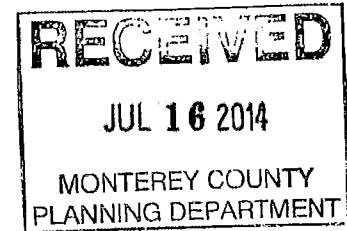
Sincerely,



Robert Wiener, Executive Director

Cc: Alfred Diaz-Infante, CHISPA





July 15, 2014

Mr. Luis Osorio  
Monterey County Planning Department  
Monterey County Government Center  
168 W. Alisal St. 2nd Floor  
Salinas, CA 93901

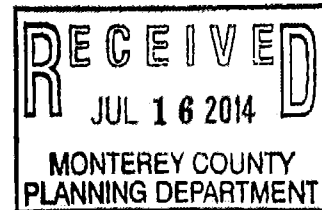
Re: Rancho Moro Cojo Subdivision Amendment (File No. PLNI20650)

Dear Mr. Osorio:

We received your letter, dated April 18, 2014, notifying CHISPA that the above referenced application is incomplete pending submittal of "substantial evidence" to support modification of the language of Condition No. 99 of the Moro Cojo subdivision. In our letter to you dated, March 21, 2014, we provided the following "substantial evidence" to support the application and the findings needed to approve the application:

1. My professional opinion is based on decades of experience in developing and managing "for sale" affordable housing, including specifically the Moro Cojo subdivision. Affordable units with long restrictions either remain on the market for significant periods of time before they are ultimately sold or are taken off the market due to the lack of offers. Revising the affordability term of the Moro Cojo units from a "perpetuity" term to a 15-year term will make the Moro Cojo units more attractive and competitive in the current real estate market. I explained that CHISPA has operated its mutual self-help housing program since 1991 and, except for the Moro Cojo project, none of the mutual self-help projects CHISPA has constructed require that the units remain affordable in perpetuity.
2. General Plan Update Policy LU 2.12 provides for an affordability term and equity share program. The proposed modification to Condition No. 99 is consistent with the County's policy decision to provide for a set term of affordability on inclusionary units within the County. In fact, the County has never had a policy for a term of "perpetuity" for mutual self-help projects such as Moro Cojo.
3. In the case of mutual self-help projects, such as Moro Cojo, Section 33334.3 of the California Health and Safety Code establishes a 15-year affordability term. Therefore, the proposed modification is consistent with State law affordability requirements for mutual self-help projects.

Mr. Luis Osorio  
July 15, 2014  
Page 2



4. The California Coalition for Rural Housing (CCRH), which was established in 1976 and is one of the oldest state low-income housing coalitions in the country, submitted a letter in support of CHISPA's application confirming that mutual self-help affordable housing projects are not subject to a deed restriction with a term of perpetuity.

In addition to the above evidence, CHISPA has enclosed the following signed declarations from several original homeowners within Moro Cojo as further evidence to support CHISPA's application:

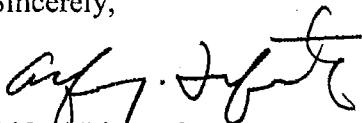
1. J. Manuel Resendiz, who explains that he has been unable to refinance his loan to obtain more favorable financing terms due to the perpetuity restriction,
2. Yolanda Raya, who explains her unwillingness to invest in her home to enhance the value of her home due to the uncertainty of recouping her investment; and,
3. Leticia Enriquez, who explains her inability to refinance her home and to obtain a loan to consolidate debt that she incurred to repair and improve her home.

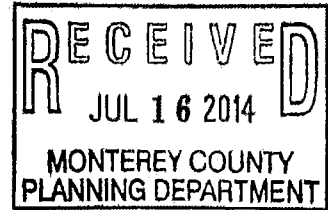
These homeowner declarations represent a small sampling of the challenges faced by Moro Cojo homeowners due to the perpetuity restriction.

It is unfair that, 14 years after constructing their homes, these families are constrained by obsolete restrictions that are not required under state law and were never required by Monterey County's own policies.

We believe that the information that CHISPA has submitted constitutes substantial evidence to support its application and request that the County deem this application complete and proceed with completing and circulating the CEQA document. Please call me if you have any questions or require further clarification regarding any of the information that CHISPA has provided. Thank you.

Sincerely,

  
Alfred Diaz-Infante, Pres./CEO



Declaration of J Manuel Resendiz

My name is J. Manuel Resendiz. I reside at 9485 Comunidad Way, in the Moro Cojo residential development, in Castroville, California. My family purchased our home under the "self-help" program administered by CHISPA and South County Housing Corporation.

Under the self-help program, our family was required to work 40 hours per week to build our house and those of our immediate neighbors. We did this for more than one year; during the week after laboring in the agricultural fields, and, on weekends, as well. We performed arduous labor, from digging dirt, to building walls to installing roofs. We did almost all the work except for the plumbing and electrical work. Our family worked more than 1,600 hours to build our homes at Moro Cojo.

I have tried to refinance my home to take advantage of lower interest rates, like many other homeowners in Monterey County. Unfortunately, finance companies refuse to refinance my home because of the perpetuity restriction that is part of my deed. This is not fair. I should be able to take advantage of lower interest rates like other homeowners. Instead, I am stuck with interest rates that existed almost 15 years ago.

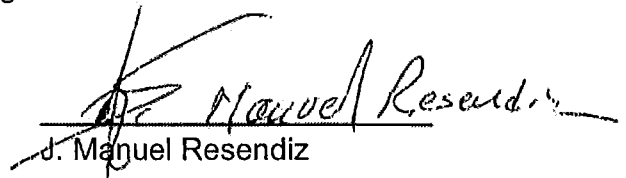
In February 2013, we went to Coast Federal Credit Union to refinance our property. The bank offered us great refinance terms of 3.55% compared to the 6.8% we currently pay on our loan. This is a significant difference in our monthly payment. Unfortunately, the Credit Union withdrew its offer once it discovered that our property is subject to the perpetuity restriction that is at issue. They simply did not want to deal with that factor.

In March 2013, Chase Bank offered to refinance our property at 3.495%. Once again, the bank withdrew its offer once they discovered the perpetuity restriction.

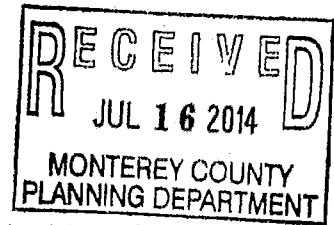
As my declaration reveals, the perpetuity restriction is resulting in an unintended consequences that is severely prejudicing my home ownership at Moro Cojo. For that reason, I ask that you lift the restriction and replace it with a standard 15 year restriction that has been applied to other similar developments.

I declare, under penalty of perjury, that the foregoing is true and correct.

Date: 7-02-14

  
J. Manuel Resendiz

Declaration of Yolanda Raya



My name is Yolanda Raya. I reside at 9441 Comunidad Way, in the Moro Cojo residential development, in Castroville, California. My family purchased our home under the "self-help" program administered by CHISPA and South County Housing Corporation.

Under the self-help program, our family was required to work 40 hours per week to build our house and those of our immediate neighbors. We did this for more than one year; during the week after laboring in the agricultural fields, and, on weekends, as well. We performed arduous labor, from digging dirt, to building walls to installing roofs. We did almost all the work except for the plumbing and electrical work. Our family worked more than 1,600 hours to build our homes at Moro Cojo.

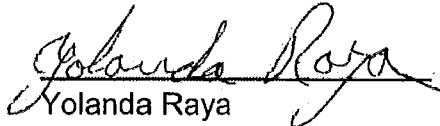
We built our home almost fifteen years ago. Like other similar homes, our home is beginning to need substantial repairs. We have to pay for those repairs, just like any other homeowner. The cost comes out of our pocket. To a regular homeowner, making repairs to a home is an investment that will enhance the value of a house. For us, however, that is not the case. The "perpetuity" limitation in our deeds makes it difficult to invest in our homes because we may not get our "investment" back.

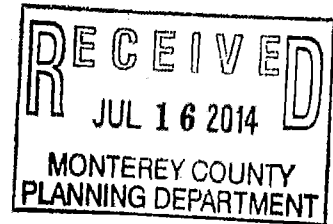
I know many of my neighbors feel the same way. In the end, with homeowners not willing to invest to make substantial repairs, our neighborhood will become run down. This is sad but it is one of the unintended consequences of the "perpetuity" restriction.

As you can see, the perpetuity restriction is resulting in unintended consequences that are prejudicing the homeowners at Moro Cojo. For that reason, we ask that you lift the restriction and replace it with a standard 15 year restriction that has been applied to other similar developments.

I declare, under penalty of perjury, that the foregoing is true and correct.

Date: 7/3/14

  
Yolanda Raya



Declaration of Leticia Enriquez

My name is Leticia Enriquez. I reside at 9835 Los Arboles Circle, in the Moro Cojo residential development, in Castroville, California. My family purchased our home under the "self-help" program administered by CHISPA and South County Housing Corporation.

Under the self-help program, our family was required to work 40 hours per week to build our house and those of our immediate neighbors. We did this for more than one year; during the week after laboring in the agricultural fields, and, on weekends, as well. We performed arduous labor, from digging dirt, to building walls to installing roofs. We did almost all the work except for the plumbing and electrical work. Our family worked more than 1,600 hours building our homes at Moro Cojo.

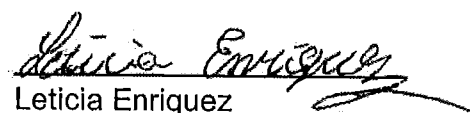
I have suffered two severe unintended consequences as a result of the perpetuity restriction that encumbers the title to my home. First, I have been unable to refinance my home as directed by the divorce decree issued by the Superior Court of Monterey County. The decree directed that I refinance the home in order to buy-out my former husband and place the house exclusively in my name. The Court issued these orders to protect me against unauthorized use by my ex-husband of our property. A finance company prequalified me for a refinance loan but then refused to finalize the loan because they discovered the existence of the perpetuity restriction.

Second, I later tried to consolidate significant debts that I had accumulated making repairs and upgrades to our house. Again, a finance company agreed to help me consolidate the loans but then reneged once the company discovered the perpetuity restriction on my deed. The finance company spoke to officials at the County of Monterey to try to clarify the matter but was unsuccessful. I, too, talked to county officials to try to get help but was unsuccessful.

As my declaration reveals, the perpetuity restriction is resulting in unintended consequences that are severely prejudicing my home ownership at Moro Cojo. For that reason, I ask that you lift the restriction and replace it with a standard 15 year restriction that has been applied to other similar developments.

I declare, under penalty of perjury, that the foregoing is true and correct.

Date: 7/02/14

  
Leticia Enriquez

